

Resolution No. 90

Submitted by:

The Honorable Scott Smith
Mayor of Mesa

The Honorable Jerry Sanders
Mayor of San Diego

**ENABLING ADOPTION OF PENSION BENEFIT ALTERNATIVES THAT
REDUCE COSTS TO PUBLIC SECTOR EMPLOYEES**

1. **WHEREAS**, many local and state governments are struggling to provide retirement security for employees over the long term while dealing with structural budget problems, tax base and investment losses from the economic downturn, and other fiscal pressures;
2. **WHEREAS**, dealing with these pension costs contributes to cuts in public services, layoffs, and deferral of infrastructure projects;
3. **WHEREAS**, in many cases, the rising costs of providing pension and retirement benefits have resulted in significant contribution increases borne by public sector employees;
4. **WHEREAS**, local and state governments are proposing changes to pension plan offerings that can address budget problems while also reducing the cost of retirement benefits to public sector employees through their voluntary election of alternative plans;
5. **WHEREAS**, public sector employees should have an opportunity to voluntarily choose participation in a lower-cost benefit plan rather than make higher payments;
6. **WHEREAS**, federal law and U.S. Treasury Department guidelines, rulings, and review processes related to determining the tax treatment of retirement plan contributions impact whether local and state governments can effectively offer those choices to employees;
7. **WHEREAS**, current federal standards are unclear and could expose employees to new federal taxes on their pension contributions under various new plan options;
8. **WHEREAS**, federal administrative, regulatory, and/or legislative action is needed to clarify these tax issues and enable offerings of alternative pension plans that would ensure a more sustainable pension system, reduced costs to employees, and stronger local and state government financial conditions;

9. **WHEREAS**, the U.S. Treasury Department has been asked by several local and state governments to review such pension plan proposals and issue such guidance.
10. **NOW THEREFORE, BE IT RESOLVED** that the U.S. Conference of Mayors calls upon the U.S. Treasury Department to expeditiously promulgate clarifying guidelines or rules that ensure favorable tax treatment of certain retirement plan contributions picked up by governmental employers when employees are given an option to choose a lower-cost plan.
11. **BE IT FURTHER RESOLVED** that the U.S. Conference of Mayors urges Congress to enact any necessary legislation that would enable such Treasury policies, and otherwise facilitate local and state governments' ability to work cooperatively with employees and unions in addressing long-term structural pension plan issues.

Projected Cost: Unknown